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DEPT FOR SCA/CEN (J. MUDGE), EUR/PRA (J. CONLON)

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TAGS: MNUC PREL KZ

SUBJECT: KAZAKHSTAN INTENSIFIES EFFORTS TO DEVELOP NUCLEAR INDUSTRY

REF: A. ALMATY 6

1B. MOSCOW 932

Classified By: Ambassador John Ordway, reasons 1.4 (B) and (D).

11. (C) Summary: Kazakhstan plans to develop its nuclear industry, from increased uranium production to nuclear power generation. The topic has attracted a significant amount of press coverage in recent weeks, primarily due to a joint statement on cooperation issued by President Nazarbayev and President Putin on January 25. The national atomic energy company KazAtomProm recently signed an agreement with two Japanese firms to develop a large uranium mine in southern Kazakhstan. The GOK has established a working group to identify the type of reactor and locations for a network of nuclear power plants. Although Kazakhstani government officials maintain that there are no plans to complete the fuel cycle by developing enrichment capability, one KazAtomProm official has said that his firm is studying conversion and enrichment technology. End summary.

Drum Beat for Nuclear Energy Grows

12. (SBU) High level GOK discussion of development of Kazakhstan's nuclear power industry has intensified since former Minister of Energy and Mineral Resources Shkolnik's comments in December 2005 (Ref A). President Nazarbayev discussed possible collaboration with Russia during a meeting with President Putin after the January 11 inauguration ceremony (Ref B). The two leaders issued a joint statement on January 25 in St. Petersburg regarding expanded cooperation in the peaceful use of nuclear energy. Although no details were released, on January 26 Kommersant reported that cooperation with Kazakhstan would involve the joint Russian-Kyrgyz-Kazakhstani uranium mining venture in Zarechnoye, southern Kazakhstan. During a January 24 Cabinet meeting, Prime Minister Daniyal Akhmetov said that delays in pursuing nuclear energy had hampered industrial innovation and development. He instructed the Ministry of Energy and Mineral Resources (MEMR) to convene a working group and present a proposal in the first quarter of 2006.

13. (SBU) Commercial collaboration on uranium production has also grown in recent weeks. On January 23, the KazAtomProm national atomic energy company signed a strategic partnership agreement with the Japanese Sumitomo Corporation and the Kansai Electric Power Corporation. The parties agreed to set up a joint venture to develop the Mynkuduk uranium deposit in southern Kazakhstan. KazAtomProm will own 65% of the new joint venture, Sumitomo - 25%, and Kansai - 10%. Initial investments will total approximately \$100 million. According

to press reports, uranium production is expected to begin as early as 2007, with production of 1,000 tons per year by 2010. The mine is expected to produce 18,000 tons of uranium over a projected lifespan of 22 years. KazAtomProm director Mukhtar Dzhakishev announced that KazAtomProm, which mined 4,300 tons of uranium in 2005, aimed to become the world's biggest uranium mining corporation by 2010.

KAEC Says No Plans for Enrichment

¶4. (C) In a February 1 meeting with POEC Chief, Kazakhstan Atomic Energy Commission (KAEC) chair Timur Zhantikin confirmed that a governmental working group had been formed to examine the nuclear energy question. Zhantikin indicated that Kazakhstan was considering building a network of nuclear plants, given the country's enormous size and the high cost of energy transmission. Zhantikin stressed that no decisions regarding locations or the type of reactor had yet been made. He noted that the Candu reactor used natural uranium without enrichment, which was an advantage; it needed heavy water and produced a great deal of waste, however. The Westinghouse AP600 was a good plan for an LWR using LEU, but had not yet been constructed. Zhantikin also mentioned the RBMK graphite reactor and a 350 MW Chinese LWR as candidates. He did not indicate whether the GOK prefers a closed or open fuel cycle, or whether reprocessing was under consideration.

¶5. (C) POEC chief, noting the numerous recent GOK statements regarding the need for nuclear power and the importance of exploiting Kazakhstan's uranium reserves, asked Zhantikin what types of activities were under consideration. Zhantikin stated that Kazakhstan had no plans to develop enrichment capabilities, as the world market price for enrichment was

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falling and there were plenty of countries that already possessed this very expensive technology. It would be cheaper for Kazakhstan to have its uranium enriched abroad than to develop the capability at home. POEC chief said that the U.S. government has concerns about the spread of enrichment technology, and would want to discuss any such plans if the GOK's approach changed. Zhantikin noted that the Ulba Metallurgical Facility could be used to produce fuel pellets, depending on the type of reactor chosen and how many will be built. If Kazakhstan ultimately builds only two or three plants, it would make more financial sense to obtain the fuel from Russia.

KazAtomProm Examining Conversion and Enrichment Technology

¶6. (C) Baurzan Duisebayev, head of KazAtomProm's Institute of Advanced Technology (IAT), told a visiting DOE team on February 3 that his institute was exploring technology associated with uranium conversion and enrichment. IAT is planning to establish five new laboratories in the near future, dealing with nuclear materials and reactors; tantalum; beryllium; fluorine technology; and general physical research. In a 2004 meeting with the DOE team Duisebayev had commented that any USG concerns regarding Kazakhstan completing the fuel cycle would be completely unfounded given the GOK's excellent record on non-proliferation issues. (Note: Kazakhstan is a member of the Nuclear Suppliers' Group, a party to the NPT, and has signed but not yet ratified the IAEA Additional Protocol. End note.)

MEMR Stresses Adherence to International Norms

¶7. (C) In a February 8 meeting with POEC chief, senior MEMR advisor and long-time Shkolnik associate Dr. Tleuken Akhmetov

declined to provide details of planned nuclear collaboration with Russia. Akhmetov indicated that more information would be made public in the near future. He stressed that as Kazakhstan is a member of the IAEA and NSG, all activity would be conducted transparently and in complete conformity with international norms.

¶8. (C) Comment: The increasing focus on development of nuclear energy should not come as a surprise. Although Kazakhstan is rich in energy resources such as coal and gas, most sources are located far from population centers, and distribution networks are poorly developed. The government is also leery of building additional coal-fired plants that would generate pollutants in excess of Kazakhstan's Kyoto quotas. Development of Kazakhstan's extensive uranium deposits and associated technology would also support the GOK's top priority of diversification of the economy. Post will continue to track this issue closely, particularly the question of whether Kazakhstan is considering enrichment. Secretary Bodman's possible March visit to Kazakhstan and/or

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the next Energy Partnership meeting will provide additional useful opportunities to discuss the GOK's plans for its nuclear industry. End comment.

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